

## **Business Essentials: Using an Intranet**

### ***Take advantage of web technology to share info & bring employees together***

*by Larry Murphy*

**E**ffective communications are so important, especially when it comes to getting information out to your employees. The use of intranet web sites and portals can be a great tool to help make critical information available within a company.

Many companies routinely use the intranet to share company Human Resources data such as forms, policies, directories, and maybe the company

handbook. Legal and compliance documents can also be posted to an intranet site for easy access.

To keep employees in the loop about upcoming events, the intranet can host the company calendar. More informal items such as a company newsletter can be posted on the site as well, saving paper and allowing for simple filing and archiving of the material.

With a level of security, the internal web site can be even more useful. If users are provided with secure user names and passwords, specific information for individual employees can be made available.

Information like vacation days earned or upcoming scheduled time off can be accessible, and financial data like training budgets that are allotted over time can be calculated and displayed.

With simple connections to real-time data, operations information and reports can be accessed via the company intranet. Standard reports like periodic performance efficiencies can be posted. This cuts down on the number of reports that have to be printed or distributed, and it can also help alleviate the frustration of trying to find a report that is stored somewhere on the

*cont. on page 3*

## **Feeling resolute? Making the most of your New Year's promises**

*by Jill Kennedy*

"A journey of a thousand miles  
begins with a single step."

*- Confucius*

What were your New Year's resolutions for 2009? Are you still following them? If you are like most people, on December 31 you had visions of your business growing or becoming more profitable. Or perhaps the vision was of a personal nature, like leading a healthier lifestyle, becoming better organized, or (the most common resolution) losing weight.

Are you one of the many people who quickly thought of a New Year's resolution late in the afternoon on December 31 — and now, a few days into the New Year, have not only abandoned the resolution, but have *forgot-ten* it?

Don't despair! While it is traditional to make resolutions on New Years Day, there is nothing that says you can't make resolutions any time of the year. Perhaps you can plan it for the Chinese New Year (1-26-2009) or Groundhog day (2-2-2009) or even Mardi Gras (2-24-2009). The important thing is to make a resolution that benefits you or your business, and then stay with it.

A resolution is typically a commitment that you make to a project or to changing a detrimental habit. The goal is to create a more positive, healthier lifestyle. Changing a habit can be a big step, and if you really want to change something for the long term, it takes some planning.

*cont. on page 3*





# The BIG Count:

## How to Have an Accurate Physical Inventory

by Fred Heintz

Physical Inventory: The determination of inventory quantity by actual count

- APICS Dictionary, 12th Edition

Have you just completed your company's annual physical inventory? How did it go? Is everyone now confident that the books are 100% accurate, or is the warehouse crew scrambling around trying to find inventory that doesn't really exist? Or maybe they're trying to figure out how some just "appeared."

Sixth Floor Consulting Group has participated in many inventories over the years. We have seen excellent ones, where the whole distribution department was confident of the system book being accurate. We have also seen ones (fortunately for us, we did not directly participate) in which the distribution department ignored the system inventory until they could go back and correct the books.

The only valid reason to do any inventory count is to find the root cause of any inventory inaccuracy. Unfortunately, a complete physical inventory is very rarely analyzed to determine why there were reconciling items and what the root cause was.

Why are some counts accurate and others not? In our experience there are three main factors that determine whether a count will be accurate.

- Preparation
- Action
- Counters

Count preparation is crucial to guaranteeing an accurate inventory. Sixth Floor believes every hour spent preparing for the count will save at least two hours of counting time. Just as lean manufacturing stresses 5-S Workplace Organization to have an organized, efficient manufacturing

area, there is no way to accurately count a sloppy warehouse or storeroom. Spend time organizing the count areas so that all like inventory is together, items on Quality Hold are clearly marked and segregated, all WIP is clearly marked and easy to identify, any consigned stock (VMI) is clearly identified, and the production floor has no excess inventory on it. Only by making sure all items are where they belong can you be certain of capturing the entire inventory in the facility.

All action throughout the facility needs to stop! There should be no receiving, shipping, or production occurring during the physical inventory. If an accurate wall-to-wall count is being attempted, inventory in motion is an invitation for error. While this may seem obvious, many companies attempt to keep part of the business going while a count is being done. In theory it sounds conceivable to keep all the new production over in a corner of the warehouse, but in reality it is almost impossible to pull off. With inventory moving in, out, or being transformed, invariably some items either are missed or they are counted when they shouldn't be. The risk is too great to allow any movement to occur during a physical inventory. If the business cannot afford to stop for a count, then the count needs to be moved to a time that this is possible. The goal of the inventory is accuracy not speed! It is better to pay overtime on a weekend than attempt to count during the week while the business is running.

Sixth Floor Consulting Group is an enthusiastic proponent of Lean Manufacturing, yet we're saying you have to shut down the facility. Doesn't this



increase "wait time"? (This is one of the 7 Lean Wastes, which we'll discuss in future articles.) Yes it does, but this is the only way to get an accurate physical inventory count.

Cycle counting can be done while the business is running. This requires some coordination, but it is the normal process. Cycle counting also emphasizes inventory accuracy, not counting accuracy like a physical inventory does. We'll have more on cycle counting in next month's newsletter.

The most important factor in having an accurate physical inventory is the people who do the counting. The key to a successful count is having people who know the products and how they are inventoried. The workers in the finished goods warehouse should count the finished goods. Some businesses contend that they should keep the people who count separate from the people who handle the inventory, but we don't feel this is necessary. The same effect can also be accomplished by working in teams with a counter and recorder. The counter would be the person who works in that area.

*cont. on page 3*



*Intranet, cont. from page 1*

company shared drive in a folder that no one can ever seem to remember.

No matter what type of content you decide to make available on your intranet, a big challenge is still getting people to log on and see what's contained within the site. Some companies have used gimmicks such as contests or joke-of-the-day and question-of-the-day postings to inspire employees to visit the site.

**Keep it current**

Current news usually attracts readers. A company can subscribe to various news publications and have the content refreshed automatically through RSS (really simple syndication). Occasional company emails with links to the internal web news can also be 'pushed' out, reminding employees to check various items.

Instant Messaging can also fall under the category of intranet communications. Instant messaging at work seems to be a "love it or hate it" type of tool. It is very convenient to be able to blast off a question to a coworker and receive an answer back instantly. It is also very annoying to be deeply focused on some item only to have some coworker ask you a question. I guess the best thing about instant messaging is that you can turn it off.

The bottom line is to be able to provide a central repository that employees can access easily in order to get the information they need. Simple, well organized intranet web sites and portals can provide a great service when it comes to meeting this need. With the proper information on the site, it will be in everyone's favorites list, if not their home page. ■

*New Year's, cont. from page 1*

Changes are never easy, but any change is more easily done in steps.

To start, try posting your goal. As we wrote in our December newsletter, visuals are a powerful tool. Display your business goals where everyone can see them. If you are trying to lose weight, post a note on the refrigerator. By displaying your intentions, your employees or family will know what you are trying to accomplish and support your efforts.

You could also try the Crawl-Walk-Run approach. First, you "Crawl." Set up a step-by-step plan as to how you will make the change. Be honest! Go through the plan to see if it will fit your schedule. Line up the support you need and then get started.

Then you "Walk." Be consistently aware of the plan and maintain your progress.

Lastly, you "Run." Once it starts to become clear that your plan is working, you'll establish confidence. You are off and running!

If, for some reason, you backslide one day, don't think all is lost. You can keep your plan going as if nothing has changed the very next day. There is no reason to think you have to wait until the following New Years day. ■

*Inventory, cont. from page 2*

They will know pallet patterns, items per box, tare weight on bins, etc. Because of their understanding of what is being counted, the count will go quicker and more accurately.

The recorder is the person from outside the area. This will often be office personnel. Their task is to record the counts, and they provide the second set of eyes to verify the counter is accurate and doesn't go too fast. Only by using people who know the products and the warehouse can an accurate physical inventory be done.

Would it be just as accurate and quicker to eliminate the recorder? While it would seem so, the recorder

can do the clerical tasks and free the counter to concentrate on accurately counting the inventory, because just as many recounts occur because of poor recording as poor counting.

In conclusion, if your company does complete physical inventories, remember the three key factors for an accurate count. Done incorrectly, a physical inventory can introduce as many (or more) errors than it corrects. With the large investment made for a complete physical inventory, to come out of it with less than a totally accurate count is a waste. Take the time to prepare, stop all action, and have the right people counting. ■

**The goal of Sixth Floor Consulting Group is to create best-in-class processes, allowing each of our clients to take their businesses to a higher level of quality, profitability, and Lean operation.**

**Contact us today to put us to work on your team.**

## **Attend our Physical Inventory Workshop — and learn to make your inventory *count*!**

Does your company conduct an annual (or more often) physical inventory? Are they accurate, or does everyone scramble around trying to find inventory that doesn't really exist, while wondering why no one is shipping that other pile of inventory?

**Fred Heintz** of Sixth Floor Consulting Group, in conjunction with the Hartford APICS chapter, will be conducting a Physical Inventory Workshop on Monday, January 26, from 8:00 am until 12 noon. The workshop will be held at the CCSU ITBD center in New Britain, Connecticut.

A complete wall-to-wall count of inventory is a very expensive proposition, and companies need to make sure that investment is not wasted. This important workshop will discuss the factors that go into making your physical inventory a success. Topics to be covered include:

- Preparing for a Physical Inventory
- Conducting the Physical Inventory
- Who should count
- Tricks & Traps in counting
- Reconciling the Physical Inventory

Using APICS prepared coursework in addition to practical demonstrations, participants will learn what it takes to have a successful physical inventory. To register, see the Calendar of Events on the Hartford APICS website at [www.apics-hartford.org](http://www.apics-hartford.org).

### **Sixth Floor Consulting Group, Inc.**

41 Arnoldale Road

West Hartford, CT 06119

(860) 233-7411

[www.sixthfloorconsulting.com](http://www.sixthfloorconsulting.com)